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• *IT* Interview •

Derwent Keeps Current

Managing director Peter McKay discusses the company's successful evolution

by Richard Poynder

Created over 50 years ago on the kitchen table of U.K. entrepreneur Monty Hyams, Derwent Information belongs to the small club of pioneering companies that gave rise to the information industry. It was also one of the first to make its data available online, and has acquired an enviable reputation as the pre-eminent supplier of value-added patent information. Now part of the Thomson Corp., Derwent today, however, faces many new challenges, not the least of which is adapting to a world turned upside down by the Web. Peter McKay, Derwent's new managing director (MD), sat down with Richard Poynder to discuss his plans and hopes for the future.

Richard Poynder: *You've only recently taken on the role of MD at Derwent. What attracted you to the job?*

Peter McKay: I've been in publishing for 22 years, half of which time I've spent in scientific publishing—mostly at Academic Press, but also twice at Chapman & Hall, and now four times with a Thomson company. So heading up a Thomson company intimately involved in scientific publishing is the perfect place for me.

But why Derwent specifically?

What really attracted me to Derwent is that it is already a digital company; one, moreover, now entering the next phase—which is working out how to prosper in a somewhat different digital environment to first-generation online.

You've replaced Mike Tansey, who was acting as temporary MD?

That's right. When Thomson Science & Technology Group was established in 1998 it was formed with ISI [Institute for Scientific Information] and Derwent. Mike, who was at that time CEO of ISI, was promoted to head up the new group. A few months later my predecessor at Derwent, Martin Nathan, left following an illness, and Mike took charge until a replacement was found. He has now gone back to being full-time CEO at group level, and is my boss.

When Mike Tansey took over many people assumed that Derwent was about to be merged with ISI. Subsequently there have been rumors that the Derwent name is to be dropped. Is that on the cards?

No. There are no plans to push the two companies together, or to re-brand Derwent. It will remain a quite distinct operating business, as will ISI. Both companies are in the same group, and both serve scientific markets, but they are addressing quite distinctive needs within that mutual marketplace. All that's new is that the Thomson Corp. is launching a new identity.

Nevertheless, where Thomson once was renowned for leaving its individual companies alone—so long as they delivered the numbers—today it seems to be increasingly integrating its businesses.

Thomson is a very large company worldwide, with a huge number of highly recognizable brands, but with very little linkage between them. So while it wants to maintain the strength and identity of the companies it owns, it also wants to leverage the fact that they are part of a much larger information company called Thomson. The Derwent name will not change, but the Thomson logo will be more prominent on our business cards, letterheads, and brochures.

Derwent has also been recently restructured. What's changed internally?

We wanted to be more customer-focused. So we've taken the previously independent product development group, and the previously independent sales and marketing group, and re-formed them into five strategic business units—with each unit taking a client base as its focus. This is not rocket science, but we thought it was time to have Derwent people facing out to a specific customer group, rather than in to internal objectives.

Historically, Derwent has been very successful, and must have practically every major patenting company amongst its customer base. Having achieved that, however, it now presumably finds itself in a rather static position. Is Derwent's business still growing?

Derwent is a public company, and its financial performance is a matter of public record. My focus is to try and look at the success of Derwent from a different angle: to audit the success of the company as a provider of information and solutions to the users of patent information—and then look at ways of translating that back into superior financial performance.

You mean that as someone new to the business you bring a fresh perspective—one that can perhaps find new ways of exploiting Derwent's existing markets and assets?

That is exactly what I am saying: Let's look at it differently. The difference is in the emphasis, and in how we use the information we already have in the business. Moreover, if we look at the information flow into our editorial department, which takes data from 40 different patent offices in order to feed the World Patents Index and all its associated products, what we see is a picture of growth. The rate of increase in patent applications and grants is growing very rapidly globally, and offers great future potential. So this is not a static market.

Can we expect to see some new products as a result of this audit process?

We already have some things in development. However, for the moment it is too early for me to produce detailed formulations.

How would you describe Derwent's particular strengths, and what are the challenges it faces?

Only Derwent offers its unique value-add across a wide range of issuing offices, and we can't see that fundamental proposition changing. However, we are aware that the definition of that quality is changing, and as other people enter the market, and do parts of what we do, our standards will have to match the best of what everybody else is doing—if we haven't already pre-empted such competitive attacks.

But where do you think Derwent's best opportunities for future growth lie?

I think Derwent's opportunities will come from understanding that more and more businesses are becoming research-based endeavors. The biotech industry, for example, offers interesting growth opportunities. The growth of the Internet is also opening new doors for us—the U.S. patent office in particular has started granting some very interesting-looking patents. If nothing else, all this activity is alerting more organizations —big and small—to the need to protect their innovations, and globally the business community is becoming more and more innovation-driven.

So future growth lies in the growing awareness of patents and the patent system?

Right. And in fact the whole world of intellectual property rights [IPR] is gaining a much higher level of awareness today. Most of us in the publishing world have always understood the importance of copyright, but we are beginning to see a world in which most businesses are starting to recognize that IPR—be it patents, trademarks, or copyright—is going to play a central role in the prosperity of organizations.

As you pointed out, of course, Derwent is a first-generation online company that must now prosper in a different digital environment. Change is always difficult. Is there a danger that Derwent may be too stuck in its ways?

Well, I would like to go back and talk to some of the people who were around when Derwent went through the process of becoming an online company. That must have been an incredible time, and I can't believe that the challenges we face today are any greater than the challenges that Derwent met then.

Yet, given Derwent's credentials as an online patent information provider, Web users might assume that when they want patent information all they need do is to go to the Derwent Web site and search for it. In fact, they can't do that today, can they?

True. Today our Web site isn't intended to be a place that people go to for patent information, and that may continue to be the case—although I doubt it. We need to follow our customers on this, and right now the majority of them are saying they want to use the traditional online hosts, so Derwent needs to be there. We are also working with other customers who want to be able to use the information within their network, and we have a number of products that can now deliver this information into their internal systems and intranets, or even [their] CD-ROM-based networks. We will change as our customers change.

The increasing amount of free data becoming available over the Web is presumably one of the greatest threats Derwent faces today?

There's no doubt the Web environment offers some threats, as well as some opportunities. But most of what is being offered free over the Web today is full-text patent specifications. This doesn't undermine Derwent's basic proposition of offering something over and above the full text, particularly the ability to find relevant patents quickly and accurately.

Derwent did develop a Web product, didn't it? Patent Explorer?

We've now closed down Patent Explorer, and we've been in touch with all those customers and discussed with them how to meet their needs without it. However, we believe it is vital for our customers to be able to have the full-text specifications of the patents they are interested in, and we plan to re-examine our Web strategy in the next few weeks. One possible route is to cooperate with the providers of the full-text information, so that navigation from the "discovery" stage, to that of accessing the full text, is an easy and seamless process.

Right, and one can see a role for traditional content providers on the Web as vertical portals. In the scenario you describe, for example, users could go to the Derwent Web site, search on its database for relevant patent documents, and then hook out to the full text on, say, a patent office site?

Exactly. It is fairly obvious, even for someone with my short experience at Derwent, that the characteristics we all crave … in a Web search engine are to be certain of a consistent, reliable, and comprehensive result in searching; and that this is a characteristic of the Derwent database. So it is axiomatic that we have got the essential qualities that would make searching work effectively, and it is possible to see DWPI [Derwent World Patents Index] as a Web navigation tool.

Is there also scope for extending the company's activities, offering perhaps services that go beyond patent data, to include, for instance, other areas of intellectual property such as trademarks, domain names, copyright, etc.?

To be honest, I am not absolutely sure. We know what Derwent's role is now, and I think that role can persist and endure. But I think we are starting to find out what else we can do. One route might be to develop, as you say, a portal offering patent data, plus perhaps information on trademarks, industry standards, research literature, conference proceedings, academic scientific journals, and so on—and bring it all together as a single desktop solution.

So Derwent could become a Web aggregator itself?

Certainly one option is to create a portal ourselves; another is to position ourselves as the essential patent discovery tool on a lot of other people's portals. After all, if we went too far down the portal road we would not only be straying out of our natural competencies and capabilities, but we might find ourselves bumping into another Thomson company, as there are other Thomson entities dedicated to other aspects of IPR.

So maybe a joint portal developed in partnership with other Thomson companies?

Certainly the power of the network is that it allows you to create partnerships where you can integrate separate information products and present them as complete, seamless solutions. But it doesn't matter if your

partners are owned by the same corporation or not. We could, for instance, partner with another Thomson company to provide trademarks, the IEEE [Institute of Electrical and Electronics Engineers] for industry standards for electrical engineers, and so on.

Where does this leave the traditional online hosts? What future do you see for them?

Online hosts prospered because they are aggregators. Moreover, unlike Web search engines, they are aggregators of authenticated, reliable information—so there is no particular reason why they shouldn't continue to prosper. Whatever Derwent does on the Web needn't necessarily conflict with what it does with online hosts. It seems to me that the challenge the hosts face is very similar to the classic case study you find in most marketing books: where the American railroad system mistakenly saw itself as being in the railroad business, rather than the transport business. There is no doubt they are in a tough place, and I have to say I am glad I don't work for one, but I think they've got some time. After all, they still make a very powerful proposition to research-based companies.

It was recently announced that Thomson is acquiring the Information Services Division of Dialog. Is that good news for Derwent?

Dialog is a very important partner for Derwent, and while it clearly suits us to know that whoever owns the company is committed to it, and will continue to invest in it, I really don't think its ownership makes any difference to Derwent, or to its strategy.

Today there appear to be two possible business models for content providers: one is to simply abandon any hope of charging for content and, like the ***London Financial Times*** *(which has sold its proprietary online service), focus exclusively on developing free Web-based information products. The other is to continue charging for content—even on the Web—which is the model championed by* ***The Wall Street Journal****. What's your view?*

I am with *The Wall Street Journal* on this, not the *Financial Times*. My instincts are 100 percent that you should charge. I do not think that offering free content by earning money through advertising or selling mailing lists, etc., is durable in the long term.

So value-added content providers should sit tight and wait until the current fad for free content passes?

We can't afford to sit tight. We have to be out there telling people they need to subscribe to our information, and explaining that we need to do this because it costs us a lot of money to create it.

Summing up, how would you define your current strategy for Derwent?

Our long-term aim is to endure as the pre-eminent provider of value-added patent information, and a solution provider to the community we already serve. So we need to invest in the power of information technology to make sure we stay out in front. Secondly, I'm conscious that Derwent's success is founded on intellectual added-value, and that we face a period of change. The best way of being successful through that change is to make sure we invest in the people that work here. This is not just a glib statement: Six months ago we appointed, for the first time in a long time, a training and personal development manager within our HR [human resources] team.

And how is Derwent's human capital looking today?

Happily, my overwhelming first impression is of a company that has a wide range of skilled people of very high quality. In fact, I have to smile when I pick up a newspaper and read about companies reinventing themselves for the new knowledge-based economy, and how employees all need to be knowledge workers today. It was exactly on this kind of human intellectual added-value that Derwent was founded—and it is quite staggering to walk into a company that is 50 years old and discover that it has always been doing exactly what all the trendy new knowledge-based companies say they are just starting to do!

Richard Poynder is a freelance journalist based in Oxfordshire, U.K. He writes for numerous online publications as well as the ***London Financial Times*** *and* ***The Wall Street Journal Europe****. His e-mail address is* ***rich_p@dial.pipex.com****.*

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